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On **May 8, 2020**, MIRAIT Holdings Corp. announced earnings results for full-year FY03/20.

Quarterly performance (JPYmn)	FY03/18				FY03/19				FY03/20				FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	60,064	72,227	74,311	106,365	66,067	74,291	89,693	145,860	83,344	99,629	105,534	152,659		
YoY	28.7%	20.0%	14.8%	-4.7%	10.0%	2.9%	20.7%	37.1%	26.2%	34.1%	17.7%	4.7%		
Gross profit	6,966	9,308	9,617	13,870	7,932	8,836	11,531	18,689	8,654	10,943	11,642	20,935		
YoY	82.4%	43.4%	18.8%	-8.3%	13.9%	-5.1%	19.9%	34.7%	9.1%	23.8%	1.0%	12.0%		
GPM	11.6%	12.9%	12.9%	13.0%	12.0%	11.9%	12.9%	12.8%	10.4%	11.0%	11.0%	13.7%		
SG&A expenses	5,999	5,772	5,466	5,809	5,950	5,812	6,676	7,851	7,481	7,157	7,537	8,006		
YoY	11.9%	-2.1%	-7.4%	-8.0%	-0.8%	0.7%	22.1%	35.2%	25.7%	23.1%	12.9%	2.0%		
SG&A ratio	10.0%	8.0%	7.4%	5.5%	9.0%	7.8%	7.4%	5.4%	9.0%	7.2%	7.1%	5.2%		
Operating profit	966	3,536	4,151	8,062	1,982	3,024	4,854	10,839	1,173	3,785	4,106	12,929		
YoY	-	490.3%	89.4%	-8.5%	105.2%	-14.5%	16.9%	34.4%	-40.8%	25.2%	-15.4%	19.3%		
OPM	1.6%	4.9%	5.6%	7.6%	3.0%	4.1%	5.4%	7.4%	1.4%	3.8%	3.9%	8.5%		
Recurring profit	1,423	3,687	4,554	8,174	2,349	3,339	5,162	11,142	1,709	3,878	4,775	12,845		
YoY	-	821.8%	72.8%	-10.1%	65.1%	-9.4%	13.4%	36.3%	-27.2%	16.1%	-7.5%	15.3%		
RPM	2.4%	5.1%	6.1%	7.7%	3.6%	4.5%	5.8%	7.6%	2.1%	3.9%	4.5%	8.4%		
Net income	564	2,140	3,096	5,704	1,337	2,263	5,127	16,984	910	2,442	2,952	8,916		
YoY	-	-	78.9%	-7.1%	137.1%	5.7%	65.6%	197.8%	-31.9%	7.9%	-42.4%	-47.5%		
Net margin	0.9%	3.0%	4.2%	5.4%	2.0%	3.0%	5.7%	11.6%	1.1%	2.5%	2.8%	5.8%		
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	60,064	132,291	206,602	312,967	66,067	140,358	230,051	375,911	83,344	182,973	288,507	441,166	102.6%	430,000
YoY	28.7%	23.8%	20.4%	10.5%	10.0%	6.1%	11.3%	20.1%	26.2%	30.4%	25.4%	17.4%		14.4%
Gross profit	6,966	16,274	25,891	39,761	7,932	16,768	28,299	46,988	8,654	19,597	31,239	52,174	103.3%	50,500
YoY	82.4%	57.8%	40.6%	18.6%	13.9%	3.0%	9.3%	18.2%	9.1%	16.9%	10.4%	11.0%		7.5%
GPM	11.6%	12.3%	12.5%	12.7%	12.0%	11.9%	12.3%	12.5%	10.4%	10.7%	10.8%	11.8%		11.7%
SG&A expenses	5,999	11,771	17,237	23,046	5,950	11,762	18,438	26,289	7,481	14,638	22,175	30,181	104.1%	29,000
YoY	11.9%	4.6%	0.5%	-1.8%	-0.8%	-0.1%	7.0%	14.1%	25.7%	24.5%	20.3%	14.8%		10.3%
SG&A ratio	10.0%	8.9%	8.3%	7.4%	9.0%	8.4%	8.0%	7.0%	9.0%	8.0%	7.7%	6.8%		6.7%
Operating profit	966	4,502	8,653	16,715	1,982	5,006	9,860	20,699	1,173	4,958	9,064	21,993	102.3%	21,500
YoY	-	-	592.2%	66.1%	105.2%	11.2%	13.9%	23.8%	-40.8%	-1.0%	-8.1%	6.3%		3.9%
OPM	1.6%	3.4%	4.2%	5.3%	3.0%	3.6%	4.3%	5.5%	1.4%	2.7%	3.1%	5.0%		5.0%
Recurring profit	1,423	5,110	9,664	17,838	2,349	5,688	10,850	21,992	1,709	5,587	10,362	23,207	100.9%	23,000
YoY	-	-	545.6%	68.4%	65.1%	11.3%	12.3%	23.3%	-27.2%	-1.8%	-4.5%	5.5%		4.6%
RPM	2.4%	3.9%	4.7%	5.7%	3.6%	4.1%	4.7%	5.9%	2.1%	3.1%	3.6%	5.3%		5.3%
Net income	564	2,704	5,800	11,504	1,337	3,600	8,727	25,711	910	3,352	6,304	15,220	101.5%	15,000
YoY	-	-	1846.3%	78.7%	137.1%	33.1%	50.5%	123.5%	-31.9%	-6.9%	-27.8%	-40.8%		-41.7%
Net margin	0.9%	2.0%	2.8%	3.7%	2.0%	2.6%	3.8%	6.8%	1.1%	1.8%	2.2%	3.4%		3.5%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Forecasts reflect most recent figures.

**Seasonality:** Due to the nature of contracting at MIRAIT, project completion, delivery, and corresponding revenues tend to be high in the fourth quarter of the financial year.

## Cumulative full-year FY03/20 results (out May 8, 2020)

### Overview

- ▷ For FY03/20, the company reported full-year consolidated sales of JPY441.2bn (+17.4% YoY), operating profit of JPY22.0bn (+6.3% YoY), recurring profit of JPY23.2bn (+5.5% YoY), and net income of JPY15.2bn (-40.8% YoY). Orders received totaled JPY446.6bn (+13.7% YoY); the value of projects carried forward into FY03/21 is JPY150.3bn (+3.7% YoY).
  - ▷ Orders up 13.7% YoY, sales up 17.4% YoY: Mergers made significant contribution to both orders and sales. Without the mergers, the order total would have been JPY344.5bn (+7.5%) and sales JPY344.5bn (+4.1% YoY).
  - ▷ Performance versus plan: Sales and earnings finished firmly in line with the company's full-year forecast, with sales coming in 2.6% above plan, operating profit 2.3% above plan, recurring profit 0.9% above plan, and net income 1.5% above plan.
  - ▷ Operating profit up 6.3% YoY: The muted growth in operating profit reflected a decline in the operating profit margin, which at 5.0% was down 0.5pp YoY. The decline in the operating profit margin reflected the combination of a 0.7pp decline in the gross profit margin (to 11.8%) and a 0.2pp decline in the SG&A expense ratio (to 6.8%).
  - ▷ Net income down 40.8% YoY: The outsized decline at the net income level reflects the dropout of an extraordinary profit of JPY10.0bn booked the previous year as a result of negative goodwill recognized at the time of mergers and gains on step acquisitions.
- Warrant bonds: In regard to the yen-denominated convertible warrant bonds due to mature in 2021 and for which

the company had resolved to exercise its early redemption option on December 30, 2019, all warrants were exercised by the early redemption date, and the company transferred treasury shares it had held.

In MIRAIT's mainstay ICT market, the mobile communications industry is undertaking the expansion of 4G and broadening services using a new frequency band as mobile carriers' business models undergo changes. The company also anticipates providing new services using 5G. In addition, even as demand for new solutions including cloud services and Wi-Fi increases, the rebuilding of social infrastructure first put in place during Japan's period of rapid economic growth or later is accelerating mainly in the Tokyo metropolitan area ahead of the Tokyo Olympics and Paralympics in 2020. At the same time, there are significant changes in the business environment brought on by a low birth rate, aging population, labor shortage, and the need for work style reform.

The company put together a new medium-term business plan to cover the three-year period starting in FY03/20 (for details, see discussion under "Long-term Outlook"). Under the new plan the company has been working to adapt to the changes in Japan's telecommunications environment and social structure, taking steps to sustain growth, increase operational efficiency, and increase its enterprise value as a comprehensive engineering and service company. Specific growth initiatives include the expansion of its business footprint in a number of different fields, including recurring-revenue business such as data center operation and maintenance, as well as numerous growth fields ("Frontier Domains") such as environment and energy, and overseas businesses. The company has already been able to realize synergies from its merger with TTK, Solcom, and Shikokutsuken in FY03/19 in the form of improved operating efficiency at existing businesses.

### By segment

#### NTT business

- ▷ The full-year order total of JPY154.8bn was up 12.4% YoY; sales of JPY156.3bn were up 21.8% YoY
- ▷ Excluding mergers, orders of JPY97.0bn were down 0.5% YoY and sales of JPY99.8bn were down 2.0% YoY
- ▷ In addition to working to expand its business with NTT in facility operations and facility upgrade proposals, the company took additional steps at its NTT business to improve back-office efficiency by merging offices and strengthening management oversight over group companies. Notable efforts in other areas include coordinating with other companies in group to get NTT's telecommunications facilities back on line quickly following natural disasters such as Typhoon 15.

#### Multi-carrier business

- ▷ The full-year order total of JPY106.2bn was up 11.7% YoY; sales of JPY97.2bn were up 5.1% YoY
- ▷ Excluding mergers, orders of JPY93.0bn were up 7.3% YoY and sales of JPY85.2bn were down 2.7% YoY
- ▷ During the year the company worked to secure construction work orders for new 4G frequencies as well as orders for construction work related to the start of commercial 5G services. Internally, the multi-carrier business took additional steps to build up its human resources and technical expertise in advance of the full-scale rollout of 5G services, including establishing a training facility to train technicians in multiple areas so as to facilitate everything from participation in the planning of field-testing of new technologies to the construction and maintenance of fixed-line and mobile communications facilities.

#### Environmental and Social Innovation business

- ▷ The full-year order total of JPY54.3bn was down 7.0% YoY; sales of JPY66.7bn were up 18.5% YoY
- ▷ Excluding mergers, orders of JPY44.6bn were up 2.1% YoY and sales of JPY57.8bn were up 14.9% YoY
- ▷ During the year the company worked to grow sales in this area by stepping up its efforts to win orders for work on electrical/air conditioning systems and civil engineering projects, and complete work on solar power plant construction projects. During the year the company also acquired Tokaikoei Inc. to help it further expand its civil engineering business.

## ICT Solutions business

- ▷ The full-year order total of JPY131.0bn was up 29.4% YoY; sales of JPY120.8bn were up 22.4% YoY
- ▷ Excluding mergers, orders of JPY109.8bn were up 18.8% YoY and sales of JPY101.4bn were up 11.6% YoY
- ▷ During the year the company worked to grow sales in this area by stepping up its efforts to win new orders for domestic LAN/PBX construction work, increase revenues from software development work large contracts with major electrical machinery sales companies, launch full-scale operations at its Osaka No. 1 Data Center, and increase sales of product sales ranging from construction materials for mobile telecommunications systems to PC and servers for schools. The company also took a step towards the expansion of its overseas business in this area over the medium to long term with its decision to acquire a controlling stake in the Singapore-based electrical construction company YL Integrated Pte. Ltd. (the actual acquisition of the shares taking place on April 1, 2020).

## Orders and sales by business

Earnings by business Cumulative (JPYbn)	FY03/19				FY03/20				YoY		Full-year FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Change	Rate of change	Est.	Result, % of Est.
<b>Orders</b>	80.4	159.7	267.2	392.7	113.0	222.6	334.5	446.6	53.9	13.7%	420.0	106.3%
NTT	23.8	47.2	88.8	137.7	37.7	77.6	113.8	154.8	17.1	12.4%	154.0	100.5%
Multi-carrier	23.6	44.8	70.5	95.1	28.5	52.9	81.8	106.2	11.1	11.7%	100.0	106.2%
Environment & Social Innovation	8.3	19.3	35.2	58.4	13.4	25.6	38.6	54.3	-4.1	-7.0%	60.0	90.5%
ICT Solutions	24.5	48.3	72.6	101.2	33.2	66.4	100.2	131.0	29.8	29.4%	106.0	123.6%
<b>Sales</b>	66.0	140.3	230.0	375.9	83.3	182.9	288.5	441.2	65.3	17.4%	430.0	102.6%
NTT	23.5	45.1	74.4	128.3	32.0	65.7	102.2	156.3	28.0	21.8%	155.0	100.8%
Multi-carrier	16.5	36.7	59.5	92.5	17.4	38.7	61.5	97.2	4.7	5.1%	98.0	99.2%
Environment & Social Innovation	7.6	18.5	33.1	56.3	11.5	26.5	43.3	66.7	10.4	18.5%	74.0	90.1%
ICT Solutions	18.3	39.8	62.9	98.7	22.3	51.9	81.3	120.8	22.1	22.4%	103.0	117.3%

Source: Shared Research based on company data

## Full-year company forecasts for FY03/21

Company forecasts (JPYmn)	FY03/19			FY03/20			FY03/21
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	FY Est.
<b>Sales</b>	<b>140,358</b>	<b>235,553</b>	<b>375,911</b>	<b>182,973</b>	<b>258,193</b>	<b>441,166</b>	<b>435,000</b>
YoY	6.1%	30.4%	20.1%	30.4%	9.6%	17.4%	-1.4%
Cost of sales	123,589	205,334	328,923	163,376	225,616	388,992	382,400
<b>Gross profit</b>	<b>16,768</b>	<b>30,220</b>	<b>46,988</b>	<b>19,597</b>	<b>32,577</b>	<b>52,174</b>	<b>52,600</b>
YoY	3.0%	28.7%	18.2%	16.9%	7.8%	11.0%	0.8%
GPM	11.9%	12.8%	12.5%	10.7%	12.6%	11.8%	12.1%
SG&A expenses	11,762	14,527	26,289	14,638	15,543	30,181	30,500
SG&A ratio	8.4%	6.2%	7.0%	8.0%	6.0%	6.8%	7.0%
<b>Operating profit</b>	<b>5,006</b>	<b>15,693</b>	<b>20,699</b>	<b>4,200</b>	<b>17,793</b>	<b>21,993</b>	<b>22,000</b>
YoY	11.2%	28.5%	23.8%	-16.1%	13.4%	6.3%	0.0%
OPM	3.6%	6.7%	5.5%	2.3%	6.9%	5.0%	5.1%
<b>Recurring profit</b>	<b>5,688</b>	<b>16,304</b>	<b>21,992</b>	<b>5,000</b>	<b>18,207</b>	<b>23,207</b>	<b>23,300</b>
YoY	11.3%	28.1%	23.3%	-12.1%	11.7%	5.5%	0.4%
RPM	4.1%	6.9%	5.9%	2.7%	7.1%	5.3%	5.4%
<b>Net income</b>	<b>3,600</b>	<b>22,111</b>	<b>25,711</b>	<b>3,000</b>	<b>12,220</b>	<b>15,220</b>	<b>15,500</b>
YoY	33.1%	151.3%	123.5%	-16.7%	-44.7%	-40.8%	1.8%

Source: Shared Research based on company data  
Figures may differ from company materials due to differences in rounding methods.

## Overview

- ▷ For FY03/21, the company is forecasting full-year orders of JPY430.0bn (-3.7% YoY), consolidated sales of JPY435.0bn (-1.4% YoY), operating profit of JPY22.0bn (flat), recurring profit of JPY23.3bn (+0.4% YoY), and net income of JPY15.5bn (+1.8% YoY).

- ▷ In addition to handling more construction projects for base stations and networks to support the expansion of commercial 5G services, the company is looking to expand its new solutions business to facilitate the rollout of full-scale services using IoT technology (such as local 5G services, the GIGA School concept, and teleworking) while at the same time increasing its own operating efficiency by strengthening management oversight over the group as a whole. That said, the company acknowledged that the disruptions caused by the coronavirus pandemic have made it impossible to say exactly when its efforts might come to fruition, and that the uncertainty it is now facing is likely to continue for some time yet.
- ▷ As of May 8, 2020, the company says that the coronavirus pandemic has had very little impact on the business of group companies thus far but it may have some impact in the future. Specifically, the company said it is worried about possible delays in the completion of some construction projects due to the one-year delay in the Tokyo Olympics (which had been expected to open in July 2020) and supply chain disruptions, and is also concerned that the downturn in economic activity around the world coupled with the drop in corporate earnings will make for a tough order environment. As for its forecast for FY03/21, the company said that since the disruptions caused by the coronavirus pandemic have made it impossible to establish a reasonable basis for projecting sales and earnings at this time, it is basically assuming that FY03/21 numbers will much the same as in FY03/20. Should it become apparent that results will miss current estimates, the company promised to announce changes to its forecast as appropriate. The company did not issue a forecast for 1H FY03/21 results.

This note is the most recent addition to the [full report](#).

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## Contact Details

### Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: [info@sharedresearch.jp](mailto:info@sharedresearch.jp)